

Message Text

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ACTION XMB-04

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FM AMCONSUL MELBOURNE
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PASS EXIMBANK

FOR WARREN W. GLICK, ACTING EXECUTIVE VICE PRESIDENT

E O 11652 N A

TAGS: EFIN

SUBJ: EXIMBANK CREDIT/GUARANTEE 3350/3351 - GREENVALE NICKEL PROJECT
AUSTRALIA

1. FREEPORT OFFICIALS ARE ESTIMATING CASH SHORTFALL FOR PROJECT
ATA\$107.6 MILLION (US \$143.5 MILLION) WHICH THEY PROPOSE TO
ACCOMMODATE BY FOLLOWING PLAN:

A. JOINT VENTURE COMPANIES TO ADVANCE PROJECT A\$10 MILLION
(US \$13 MILLION) EACH, AS NEW MONEY TO PROVIDE OPERATING FUNDS.

B. INTEREST PAYMENTS ON ALL LOANS DURING LAST THREE QUARTERS
OF 1975 AND DURING ALL OF 1976 (A\$40.6 MILLION; US\$52.8 MILLION)
TO BE DEFERRED MOSTLY FOR TEN YEARS.

C. PRINCIPAL REPAYMENTS OF ALL LOANS DURING 1976, 1977 AND
1978 (A\$47.0 MILLION; US\$61.1 MILLION) TO BE DEFERRED MOSTLY
FOR TEN YEARS. (REPAYMENTS OF CHASE LOAN BEGIN SEPT 1976.)

D. EXCESS CASH FLOW GENERATED BY THE PROJECT WOULD BE USED TO
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EXTENT AVAILABLE AS FOLLOWS:

(A) FIRST TO PAY INTEREST ON DEFERRED INTEREST AND INTEREST ON THE NEW JOINT VENTURE COMPANY ADVANCES PRO RATA AS ACCUMULATED WITHOUT COMPOUNDING; AND

(B) SECOND TO PAY DEFERRED INTEREST, DEFERRED PRINCIPAL AND JOINT VENTURE COMPANY ADVANCES PRO RATA. (THIS EXCESS CASH FLOW" REFERS TO CASH AVAILABLE AFTER NON-POSTPONED INSTALLMENTS ARE PAID AS DUE UNDER ORIGINAL SCHEDULE.)

E. PROPOSAL MUST BE ACCEPTED IN PRINCIPLE BY ALL LENDERS BY MAY 15, 1975.

CASH SHORTFALLS ATTRIBUTED TO INFLATION OF COSTS, A\$-US\$ EXCHANGE RATE FLUCTUATIONS AND MECHANICAL PROBLEMS.

2. FREEPORT APPEARS WILLING TO ABANDON PROJECT IF THE ABOVE PLAN IS REJECTED. FREEPORT'S A\$10 MILLION OFFER OF NEW MONEY IS SUBJECT TO (A) ABILITY OF JOINT VENTURE PARTNER TO RAISE A\$10 MILLION OF NEW MONEY AND (B) ACCEPTANCE OF PLAN IN PRINCIPLE BY ALL LENDERS BY MAY 15, 1975. PARTNER'S ABILITY TO RAISE NEW MONEY APPEARS TO BE THE MAIN PROBLEM.

3. ONLY ALTERNATIVE TO PROPOSED PLAN IS TAKE-OVER OF PROJECT BY CREDITORS. THIS IS CLEARLY UNACCEPTABLE AT THIS TIME; FOR ADDITIONAL FUNDS AND RESCHEDULING WOULD STILL BE REQUIRED. COSTS OF TEMPORARY SHUT-DOWN AND RE-OPENING OF PROJECT ARE ESTIMATED AT \$10-20 MILLION. FREEPORT ADVISES PRODUCTION IS SLOWLY IMPROVING: 25 O/O OF CAPACITY IN MARCH, 39 O/O IN APRIL AND 50 O/O ESTIMATED BY JUNE.

4. KFW REPRESENTATIVE, MR WOFGANG SIEGEL, ADVISES THAT KFW BOARD HAS AGREED IN PRINCIPLE TO THE PLAN AND THAT ANZ AND AMP (LARGEST AUSTRALIAN BANK AND INSURANCE COMPANY LENDERS, RESPECTIVELY) ALSO AGREE. KFW IS EXPLORING WAYS OF AVOIDING FURTHER ULTIMATUMS IN THE FUTURE.

5. MORE DETAILS TO FOLLOW GENERAL MEETING OF CREDITORS ON FRIDAY, MAY 2, AT WHICH PLAN WILL BE DISCUSSED.

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